



***CENTRAL BANK OF NIGERIA***

***ECONOMIC REPORT FOR  
THE MONTH OF OCTOBER  
2008***

***RESEARCH DEPARTMENT***

# **CENTRAL BANK OF NIGERIA**

## **MONTHLY REPORT**

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## 1.0 Summary

Available data indicated decline in monetary aggregates in October 2008. Broad money ( $M_2$ ) fell by 6.9 per cent from the level in the preceding month, in contrast to an increase of 7.5 per cent in September 2008, while narrow money ( $M_1$ ) declined by 6.3 per cent from the level in the preceding month. The decline was attributed largely to the fall in foreign assets (net) of the banking system.

Available data indicated mixed developments in banks' deposit and lending rates in October 2008. The spread between the weighted average deposit and maximum lending rates widened from 8.83 percentage points in the preceding month to 8.90. The margin between the average savings deposit and maximum lending rates, also widened from 16.23 percentage points in September 2008 to 16.25 percentage points. The weighted average inter-bank call rate moderated to 14.09 per cent, from 15.42 per cent in September, 2008, reflecting the liquidity condition in the banking system.

The value of money market assets outstanding increased by 2.0 per cent to ₦=2, 818.2 billion over the level in the preceding month. The rise was attributed largely to the 9.7 per cent increase in Commercial Papers. Activities on the Nigerian Stock Exchange were bearish, as all the major market indicators trended downwards in the review month.

The major agricultural activities across the country in October 2008 were harvesting of tubers, fruits, vegetables, late maturing grains; and pre-planting operations for dry season planting. The prices of most Nigeria's major agricultural commodities at the London Commodities Market remained unchanged as in the preceding month.

Nigeria's crude oil production, including condensates and natural gas liquids, was estimated at 1.90 million barrels per day (mbd) or 58.90 million barrels for the month, compared with 1.96 mbd or 58.8 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 44.95 million barrels in October, while deliveries to the refineries for domestic consumption remained at 0.445 mbd or 13.95 million barrels for the month. The average price of Nigeria's reference crude, the Bonny Light (37<sup>0</sup> API), estimated at US\$78.56 per barrel, fell by 24.3 per cent from the level in the preceding month.

The inflation rate on a year-on-year basis rose to 14.7 per cent in October 2008, from 13.0 per cent in September. The inflation rate on a twelve-month moving average, was 10.1 per cent, up from 9.2 per cent in September 2008.

Foreign exchange inflow and outflow through the Central Bank of Nigeria (CBN) amounted to US\$4.40 billion and US\$7.01 billion, respectively, resulting in a net outflow of US\$2.61 billion during the review month. Relative to the respective levels of US\$4.47 billion and US\$3.44 billion in September 2008, inflow fell by 1.6 per cent, while outflow rose by 103.8 per cent.

The decline in inflow was attributed largely to the fall in non-oil receipts, while the rise in outflow was due largely to the increase in WDAS utilization.

Foreign exchange sales by the Central Bank of Nigeria (CBN) to end-users through the authorized dealers stood at US\$4.4 billion, up by 238.5 per cent over the level in September 2008, while demand rose by 228.8 per cent to US\$5.5 billion.

The gross external reserves fell by 5.7 per cent to US\$58.53 billion in October 2008, compared with US\$62.08 billion at end-September 2008. The weighted average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.01 per cent to ₦=117.72 per dollar at the WDAS. In the bureaux de change segment of the market, however, the rate remained unchanged at ₦=119.00 per dollar as in September. Total non-oil export earnings by Nigerian exporters increased by 4.7 per cent to US\$142.4 million.

Other major international economic developments of relevance to the Nigerian economy during the month included: the 4<sup>th</sup> Session of the Joint Commission between the Republic of Cameroun and the Federal Republic of Nigeria held in Yaounde, Cameroun from October 9 – 11, 2008. The session underscored the need for Nigeria and Cameroun to boost trade through regular exchange of trade information and economic and trade unions; establishment of a bilateral technical committee to reflect on how to raise the level of trade; and negotiation and signing of a bilateral trade agreement aimed at avoiding double taxation, among others. Others included the Annual Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments, the International Monetary Fund (IMF) and the World Bank (WB) Group took place in Washington D.C., USA from October 7<sup>th</sup> – 13<sup>th</sup>, 2008. Lastly, the 5<sup>th</sup> Session of the Nigeria/Cuba Joint Session was held in Abuja from October 16 – 17, 2008. Both sides expressed the desire to implement the joint agricultural venture in Nasarawa State and the establishment of a sugar industry in Jigawa State. The Session also expressed satisfaction with the level of cooperation in the field of education and agreed to take steps for prompt utilization of scholarships offered by Nigeria and Cuba to each other, among others.

## 2.0 FINANCIAL SECTOR DEVELOPMENTS

**M**onetary aggregates declined in October 2008, while banks' deposit and lending rates indicated mixed developments. The value of money market assets outstanding increased, following largely the rise in commercial papers. Transactions on the Nigerian Stock Exchange (NSE) were bearish during the review month as all the major market indicators declined.

### 2.1 Monetary and Credit Developments

Available data indicated that monetary aggregates fell in October 2008. Broad money supply ( $M_2$ ) fell by 6.9 per cent from the level in the preceding month, in contrast to the increase of 7.5 per cent in September 2008. Similarly, narrow money supply ( $M_1$ ) fell by 6.3 per cent, in contrast to the increase of 6.0 per cent in the preceding month. Over the level at end-December 2007, however,  $M_2$  grew by 43.5 per cent. The fall in  $M_2$  relative to the preceding month's level was attributed largely to the decline of 6.4 per cent in foreign assets (net) of the banking system (fig.1 and table 1).

Aggregate banking system credit (net) to the domestic economy rose by 0.2 per cent over the level in September 2008 to =N=4,254.7 billion, in contrast to the decline of 4.4 per cent in the preceding month. Relative to the level at end-December 2007, it grew by 58.3 per cent. The development was attributed wholly to the increase of 2.9 per cent in claims on the private sector.

Banking system's credit (net) to the Federal Government fell by 6.5 per cent, compared with the decline of 8.2 per cent in the preceding month. The development was attributed to the decline of 6.6 and 1.7 per cent in deposit money banks (DMBs) and Central Bank claims on the Federal Government, respectively.

Banking system's credit to the private sector rose by 2.9 per cent to =N=7,693.8 billion, compared with the increase of 0.7 per cent in September. The development reflected the respective increase of 33.0 and 2.2 per cent in CBN and DMBs claims on the sector (fig. 2).

At =N=7,975.7 billion, foreign assets (net) of the banking system fell by 6.4 per cent from the level in the preceding month, in contrast to the increase of 0.7 per cent in September 2008. The development was attributed to the respective decline of 7.0 and 1.9 per cent in

CBN's and DMBs' holdings.

Quasi money fell by 7.6 per cent to =N=4,103.3 billion, in contrast to the increase of 9.0 per cent in September 2008. The development reflected the fall in time, savings and foreign currency deposits of the DMBs.

Other assets (net) of the banking system, fell by 2.2 per cent to a negative =N=3,891.3 billion, in contrast to the increase of 16.6 per cent in the preceding month. The development reflected largely the respective decline in unclassified assets of the CBN and DMBs.

Figure 1: Aggregate Money Supply in Nigeria (Monthly & Cumulative Growth Rates in Per cent)

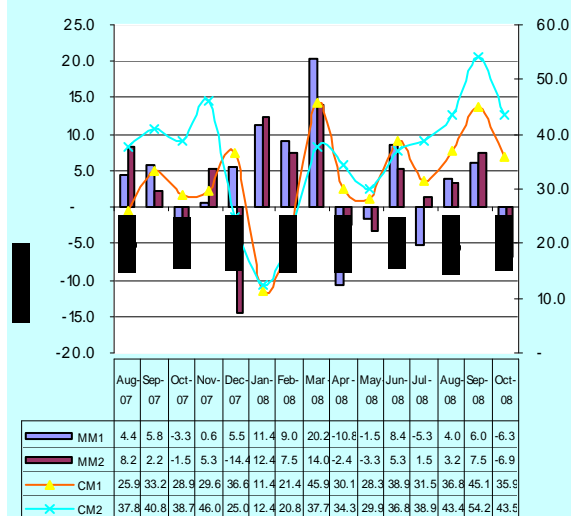
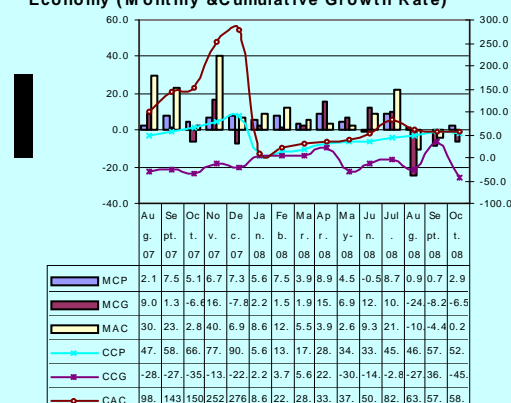


Figure 2: Aggregate Domestic Credit To The Economy (Monthly & Cumulative Growth Rate)



## 2.2 Currency-in-circulation and Deposits at the CBN

At =N=966.1 billion, currency in circulation fell by 1.1 per cent in October 2008 from the level in September 2008. The fall was traceable largely to the 1.8 per cent decline in currency outside the banking system.

Total deposits at the CBN amounted to =N=5,805.3 billion, up by 2.8 per cent over the level in the preceding month. The development was largely as a result of the 31.0 and 5.5 per cent rise in private sector and DMB's deposits, respectively. The shares of the Federal Government, banks and "others" in total deposits at the CBN were 91.4, 4.9 and 3.7 per cent, respectively, compared with the shares of 92.3, 4.8 and 2.9 per cent, in September 2008.

## 2.3 Interest Rate Developments

Available data indicated mixed developments in banks' deposit and lending rates in October 2008. With the exception of the 7-day and 1-month savings deposit rates, which respectively, rose by 0.21 and 0.12 percentage points to 6.39 and 12.03 per cent, all other rates on deposits of various maturities, fell from a range of 2.99 - 13.15 per cent in September to 2.98 - 12.79 per cent. The average prime and maximum lending rates rose by 0.17 and 0.01 percentage points to 16.01 and 19.23 per cent, respectively. Consequently, the spread between the weighted average deposit and maximum lending rates widened from 8.83 percentage points in September 2008 to 8.90 percentage points. Similarly, the margin between the average savings deposit and maximum lending rates widened from 16.23 percentage points in the preceding month to 16.25 percentage points.

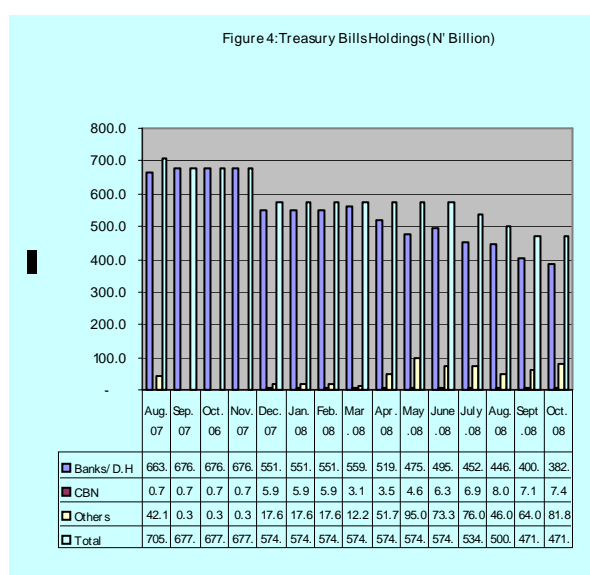
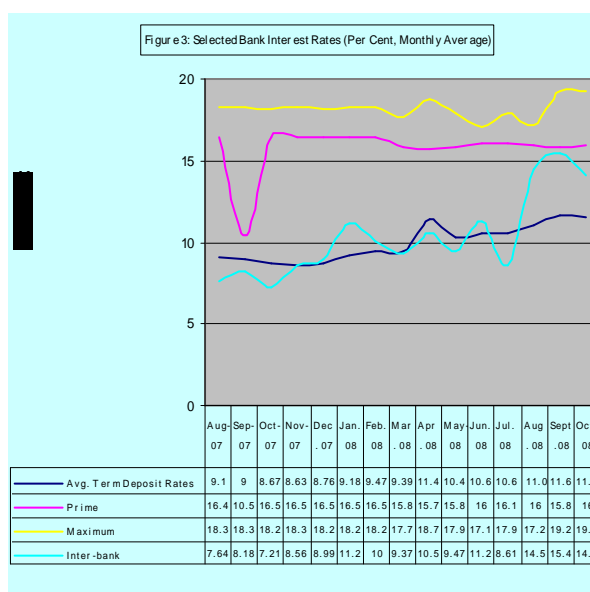
The rates at the inter-bank call segment fell, compared with their levels in the preceding month. The weighted average inter-bank call rate was 14.09 per cent, down by 1.33 percentage points from 15.42 per cent in September. Similarly, the weighted average rate for the Open Buy Back (OBB) was 9.64 per cent, down from 10.54 per cent in the preceding month. In tandem with the activities at the inter-bank call market, the Nigeria Inter-Bank Offered Rate (NIBOR) for the 7-day and 30-day tenored segments fell to 14.67 and 15.80 per cent, respectively, from 15.85 and 16.76 per cent in the preceding month.

## 2.4 Money Market Developments

Provisional data indicated that the value of money market assets outstanding as at end-October 2008 was =N=2,818.2 billion, representing an increase of 2.0 per cent over the level at end-September 2008. The development was attributable to the respective increase of

3.4 and 9.7 per cent in the value of outstanding FGN Bonds and commercial papers.

Analysis of activities in the market showed that the liquidity unease which had confronted the banking system for some months, continued during the period under review. Consequently, open market operations, aimed at injecting funds into the banking system, were used. The sum of =N=5.0 billion was purchased through the two-way quote auction, compared with =N= 8.0 billion purchased in the previous month. The two-way quotes deals were consummated at rates between 8.50 and 8.60 per cent for the various maturities offered.





At the primary market segment, Nigerian Treasury Bills (NTBs) of 91-, 182- and 364-day tenors offered amounted to ₦101.47 billion, compared with ₦50.0 billion in the preceding month. Total subscription was ₦274.64 billion, while the sum of ₦97.12 billion was allotted to the public. The range of issue rates for the 91- and 182-day NTBs were 6.50 - 8.80 per cent and 7.74 - 9.30 per cent, respectively, compared with 8.50 - 9.10 per cent and 8.94 - 9.43 per cent in September 2008. At the 364-day tenored segment, the issue rate was 9.30 per cent, compared with 9.44 per cent in the preceding month.

A total of ₦50.00 billion, made up of ₦30.00 billion 3-year (re-opening) and ₦20.00 billion 10-year (re-opening) FGN bonds, was floated and allotted at coupon rates of 10.00 and 11.99 per cent, respectively. The bonds were over-subscribed to the tune of ₦44.78 billion. The impressive subscription, especially by foreign investors, reflected the sustained confidence in the Nigerian economy and the market players' preference for longer-tenored securities.

## 2.5 Deposit Money Banks' Activities

Available data indicated that total assets/liabilities of the twenty four (24) DMBs amounted to ₦14,963.6 billion, representing a decline of 6.0 per cent from the level in the preceding month but an increase of 36.3 per cent over the level at end-December 2007. The decline in total assets was attributed to the fall in unclassified assets, other assets and reserves during the review period. The corresponding decline in liabilities was attributed to the fall in unclassified liabilities; time, saving and foreign liabilities.

Funds, sourced mainly from reserves and claims on other financial institutions, were utilised largely in the settlement of unclassified liabilities.

At ₦9,219.3 billion, DMBs credit to the domestic economy rose by 0.4 per cent over the level in the preceding month. The breakdown showed that credit to the government fell by 6.6 per cent to ₦1,753.9 billion, while credit to private sector rose by 2.2 per cent over the preceding month's levels to ₦7,465.3 billion. The Bank's credit, mainly overdraft facility to the DMBs, rose by 80.4 per cent to ₦143.3 billion in the review month.

Total specified liquid assets of the DMBs was ₦3,049.6 billion, representing 37.2 per cent of their total current liabilities. This level of assets was 4.5 percentage points lower than the preceding month's level, and 7.2 percentage points above the stipulated minimum ratio of 30.0 per cent effective from September, 2008. The loan-to-deposit ratio remained at the preceding month's level of 87.4 per cent, but exceeded the prescribed maximum of 80.0 per cent for the industry by 7.4 per cent.

## 2.6 Discount Houses

Total assets/liabilities of the discount houses stood at ₦296.5 billion at end-October 2008, representing a decline of 22.9 per cent from the level in the preceding month. The fall in assets relative to September 2008, was attributed largely to the respective decline of 48.4 and 20.7 per cent in claims on banks and Federal Government. Similarly, the fall in total liabilities was attributed largely to the decline of 57.2 per cent in money-at-call. Discount houses' investments in Federal Government securities of less than 91 days maturity fell by 22.6 per cent to ₦88.6 billion. At this level, discount houses' investments in Federal Government securities represented 36.3 per cent of their total deposit liabilities, and was 23.7 percentage points below the prescribed minimum of 60.0 per cent for fiscal 2008. Total borrowing by the discount houses was ₦198.9 billion, while their capital and reserves amounted to ₦29.7 billion, resulting in a gearing ratio of 6.7:1, compared with the stipulated maximum ratio of 50:1 for fiscal 2008.

## 2.7 Capital Market Developments

Available data indicated that activities on the Nigerian Stock Exchange (NSE) in the month of October were bearish. The volume and value of traded securities fell by 45.1 and 70.5 per cent to 5.9 billion shares and ₦39.7 billion, respectively, in 118,364 deals, compared with 10.7 billion shares and ₦134.4 billion in 197,213 deals recorded in the preceding month. The banking sub-sector remained the most active on the Exchange, with a trading volume of 2.7 billion shares worth ₦27.8 billion in 63,954 deals, reflecting the increased activities in the shares of Spring Bank Plc and Access Bank Plc during the month. This was followed by the Insurance sub-sector with 1.7 billion shares worth ₦2.2 billion in 10,996 deals. The development in the insurance sub-sector was boosted by the shares of Allied Insurance Plc. Transactions in Federal Government and industrial loans/preference stocks, however, remained dormant during the month.

Transactions on the Over-the-Counter (OTC) bond market indicated that a turnover of 1.4 billion units worth ₦1.4 trillion in 11,665 deals was recorded in the review month, compared with 1.1 billion units worth ₦1.1 trillion in 9,520 deals in September 2008. The most active bond was the 5th FGN Bond 2010 series 3 with a traded volume of 146.3 million units valued at ₦149.1 billion in 1,369 deals, followed by the 5th FGN Bond 2013 series 1 with a traded volume of 132.9 million units valued at ₦128.5 billion in 1,007 deals.

In the new issues market, issuance of the 5th FGN bonds progressed as two Federal Government Bonds namely, the (3-year re-opening) 2011 and (10-year re-opening) 2018 series valued at ₦50.00 billion were admitted to the Daily Official List with coupon rates of 10.50 and 10.70 per cent and subscription rates of 8.99-12.75 and 10.00-14.40 per cent, respectively. The issues were over-subscribed in excess of ₦44.78 billion.

In another development, a total of 7.2 billion ordinary shares of 50 kobo each of Red Star Express Plc was admitted to the Daily Official List in the Commercial/ Services sub-sector by way of introduction. This action increased the number of listed companies to 209. Also, the National Sports Lottery Plc applied for listing by way of introduction, following the recommendation by its Board of Directors.

There were three supplementary listings by Intercontinental Bank Plc, Access Bank Plc and Custodian and Allied Insurance Plc. Also, the Stanbic IBTC Guaranteed Investment Fund was granted Memorandum Listing status, thus bringing the Funds under such category to 23.

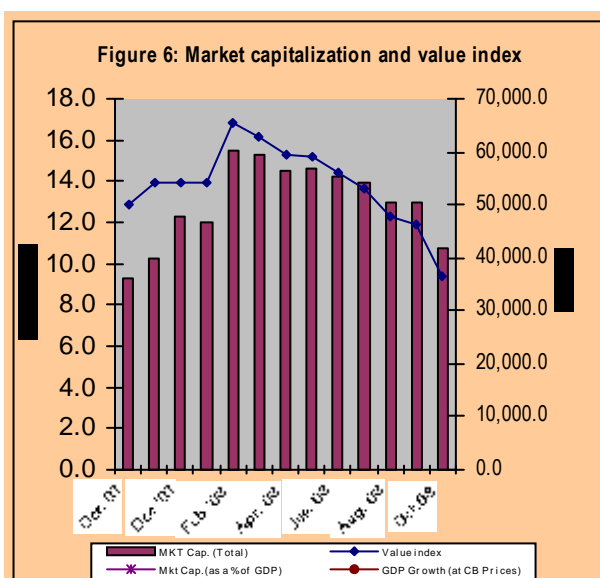
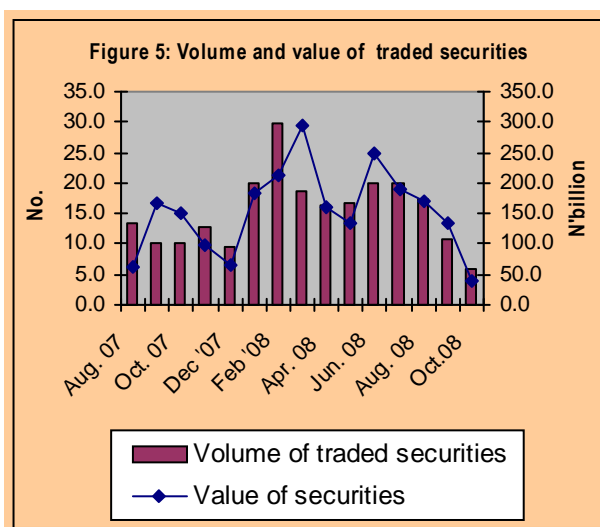
In a related development, 7.2 billion ordinary shares in favour of Multiverse Resources Plc and Abbey Building Society Plc was listed in the Construction and Mortgage Companies sub-sectors at a price of ₦1.80 and ₦3.50 per share, respectively.

However, the shares of Intra Motors Nigeria Plc, Aviation Development Co. Plc, Grommac Industries Plc, Onwuka Hi-Tech Industries Plc, Nigerian Lamps Industries Plc, Nigerian Yeast & Alcohol Manufacturing Plc, Security Assurance Plc, Sun Insurance Plc and Nigerian Textiles Mills Plc were delisted from the Daily Official List by the Council of the Nigerian Stock Exchange, following the prolonged dormancy of the listed companies. The African Paints Plc's ₦20.0 million Redeemable Debenture Stock 1997/2000 was also delisted, following the receipt of confirmation from the Trustees that the Debenture had been fully redeemed. This action resulted in the decline of the number of listed equities, corporate bonds and securities to 212, 43 and 302, respectively.

The All-Share Index and the market capitalization of the 212 listed equities fell by 21.4 and 21.6 per cent to close at 36,325.86 (1984 =100) and ₦8.0 trillion in the review month. The total market capitalization of the 302 listed securities also fell by 17.0 per cent to ₦10.8 trillion, compared with ₦13.0 trillion recorded in September, 2008.

First Bank Plc was the most capitalized stock for the month, with market capitalization of ₦499.7 billion, followed by Zenith Bank Plc with ₦419.0 billion. The development was attributable largely to the price loses recorded by the highly capitalized stocks.

In addition, following the perceived negative effect of the 1.0 per cent cap placed on share price movements on August 27, 2008 by the authorities as a way of stemming the downward trend in the market, the cap was later removed in October to allow the market freely determined its realistic price, leading to further fall in the share prices.





### 3.0 DOMESTIC ECONOMIC CONDITIONS

*T*

*he major agricultural activities across the country in October 2008 were harvesting of tubers, fruits, vegetables, late maturing grains; and pre-planting operations for dry season planting. In the livestock sub-sector, most poultry farmers were engaged in fattening and other management activities in preparation for the end-of-year sales. Crude oil production was estimated at 1.90 million barrels per day (mbd) or 58.9 million barrels during the month. The end-period inflation rate for October 2008, on a year-on-year basis, was 14.7 per cent, up from 13.0 per cent recorded in the preceding month. The inflation rate on a 12-month moving average basis was 10.1 per cent, compared with 9.2 per cent recorded in September 2008.*

#### 3.1 Agricultural Sector

The major agricultural activities in the southern part of the country in October 2008 were harvesting of tubers, fruits and vegetables, while harvesting of late maturing grains and pre-planting operations for dry season planting dominated activities in the north. In the livestock sub-sector, most poultry farmers were engaged in fattening and other management activities in preparation for the end-of-year sales.

A total of ₦1,515.2 million was guaranteed to 12,514 farmers under the Agricultural Credit Guarantee Scheme (ACGS) in October 2008. This represented respective increase of 189.8 and 129.9 per cent over the levels in the preceding month and the corresponding period of 2007. A sub-sectoral analysis of the loans guaranteed indicated that 11,706 beneficiaries in the food crops sub-sector had the largest share of ₦1,185.0 million (78.2 per cent), while 455 beneficiaries in the livestock sub-sector received ₦193.4 million (12.8 per cent).

Also, 218 beneficiaries in the fisheries sub-sector were guaranteed the sum of ₦90.8 million (6.0 per cent), 98 beneficiaries in the cash crop sub-sector got ₦32.2 million (2.1 per cent), while 37 beneficiaries in the “others” sub-sector received ₦13.9 million (2.1 per cent). Analysis of lending by state showed that twenty five (25) states benefited from the scheme during the month. The highest sum of ₦306.2 million (20.2 per cent) was guaranteed to 3,381 farmers in Katsina State, while the lowest sum of ₦3.4 million (0.2 per cent) was guaranteed to 9 farmers in Ebonyi State.

Retail price survey of all staples by the CBN indicated increase in prices in October 2008. Over their levels in the preceding month, thirteen of the fourteen commodities monitored recorded price increase ranging from 0.2 per cent for yam flour to 6.8 per cent for white beans. However, the price of eggs fell by 1.1 from the level in the preceding month. Relative to the level in the corresponding period of 2007, all the commodities monitored except yam flour, recorded price increase ranging from 15.0 per cent for eggs to 99.7 per cent for vegetable oil.

The prices of most of Nigeria’s major agricultural commodities at the London Commodities Market remained as in the preceding month. At 313.8 (1990=100), the All-Commodities Price Index, in dollar terms, remained unchanged at the level in the preceding month, but indicated an increase of 3.7 per cent over the level in the corresponding period of 2007. Further analysis indicated that the price of most of the commodities monitored also remained unchanged except for coffee, palm oil and soya bean, which recorded marginal price decline of 0.01, 0.01 and 0.02 per cent, respectively, from their levels in September. Relative to the levels in the corresponding period of 2007, all the commodities, however, recorded price increase ranging from 1.1 per cent for cocoa to 39.4 per cent for soya bean.

Similarly, at 3,919.9 (1990=100), the All-Commodities price index, in naira terms, showed an exact trend with the ones in dollar terms due to the stability achieved in the naira/dollar exchange rate. It, however, recorded price increases ranging from 0.9 per cent for cocoa to 28.5 per cent for soya bean over the level in the corresponding period of 2007.

#### 3.2 Petroleum Sector

Nigeria’s crude oil production, including condensates and natural gas liquids was estimated at 1.90 million barrels per day (mbd) or 58.9 million barrels for the month, compared with 1.96 mbd or 58.8 million barrels in the preceding month. Crude oil export was estimated at 1.45 mbd or 44.95 million barrels in October 2008, down from 1.51 mbd or 45.30 million barrels in September. Deliveries to the refineries for domestic consumption remained at 0.45 mbd or 13.95 million barrels for the month.

At an estimated average of US\$78.56 per barrel, the price of Nigeria’s reference crude, the Bonny Light (37° API), declined by 24.3 per cent from the level in the preceding month. The average price of other competing crude namely, the West Texas Intermediate, the U.K Brent and the Forcados also fell by 24.7, 25.5 and 24.3 per cent to US\$80.27 million, US\$75.50 million and US\$78.66 million per barrel, respectively.

The fall in price was attributed mainly to the impact of the on-going global recession, coupled with a further recovery of the US dollar against other major currencies.

The average price of OPEC's basket of thirteen selected crude streams also fell by 27.8 per cent to US\$69.96 per barrel, compared with US\$96.85 a barrel recorded in the preceding month. (Fig. 7).

### 3.3 Consumer Prices

The all-items composite Consumer Price Index (CPI) for October 2008 was 191.2 (May 2003=100), down by 0.6 per cent from the level in the preceding month. The development was attributed to the decline in the price of some staple food items, diesel and kerosene.

The urban all-items CPI for end-October 2008 was 211.7 (May 2003=100), indicating a decline of 0.2 per cent from the level in the preceding month. The rural all-items CPI for October 2008, at 182.4 (May 2003=100), also declined by 0.8 per cent from the level in the preceding month. (Fig. 8).

The end-period inflation rate for October 2008, on a year-on-year basis, was 14.7 per cent, up from 13.0 per cent recorded in the preceding month. The inflation rate on a twelve-month moving average basis for October 2008, was 10.1 per cent, compared with 9.2 per cent in September 2008. (Fig. 9).

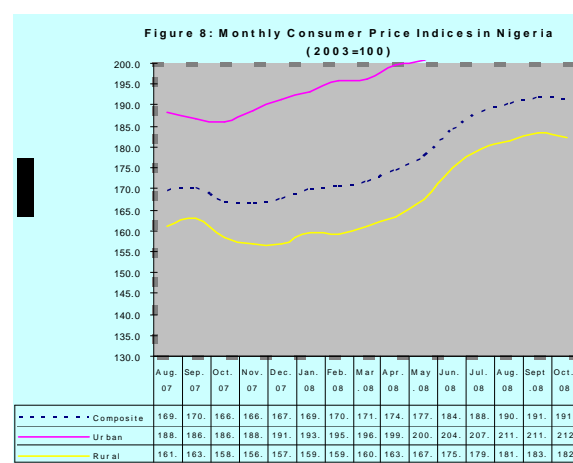
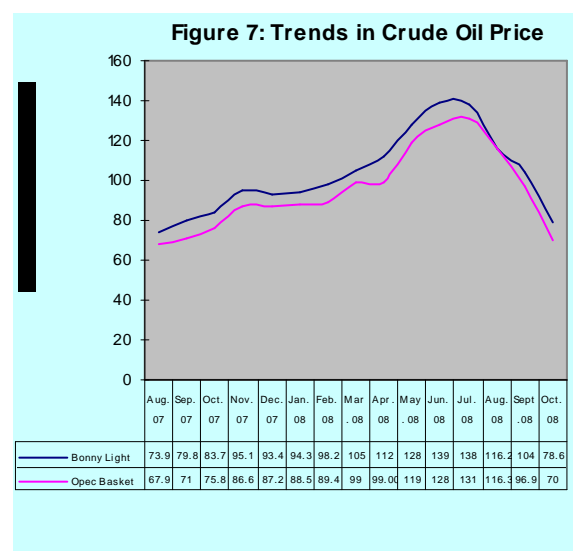
## 4.0 EXTERNAL SECTOR DEVELOPMENTS

Available data indicated that foreign exchange inflow through the CBN in October 2008 fell by 1.6 per cent, while outflow rose significantly by 103.8 per cent over the level in the preceding month. Similarly, total non-oil export earnings by Nigeria's top 100 exporters rose by 4.7 per cent over the level in the preceding month. The gross external reserves, however, fell by 6.1 per cent to US\$58.53 billion in October 2008, while the average exchange rate of the Naira vis-à-vis the US dollar, appreciated marginally by 0.01 per cent to ₦117.72 per dollar at the Wholesale Dutch Auction System (WDAS).

## 4.1 Foreign Exchange Flows

Foreign exchange inflow and outflow through the CBN in October 2008 were US\$4.40 billion and US\$7.01 billion, respectively, representing a net outflow of US\$ 2.61 billion. Relative to the respective levels of US\$4.47 billion and US\$3.44 billion in September 2008, inflow fell by 1.6 per cent, while outflow rose by 103.8 per cent.

The decline in inflow was attributed largely to the 50.8 per cent fall in non-oil receipts. The increase in outflow was as a result of increased funding of wholesale Dutch Auction System (WDAS), direct sales to the bureau de change (BDCs) and the intervention by the CBN at the inter-bank foreign exchange market.



Available data on aggregate foreign exchange flows through the economy indicated that total inflow and outflow was US\$10.31 billion and US\$7.07 billion, representing an increase of 3.4 and 105.4 per cent, respectively, over the levels in the preceding month. Relative to the corresponding period of 2007, however, inflow and outflow rose by 40.2 and 278.5 per cent, respectively. Oil sector receipts, at US\$4.25 billion, accounted for 41.2 per cent of the total, compared with US\$4.19 billion in the preceding month. Non-oil public sector inflow fell by 50.8 per cent to US\$142.33 million, while autonomous inflows rose by 7.6 per cent and accounted for 57.4 per cent of the total (Fig. 10).

#### 4.2 Non-Oil Export Proceeds by Exporters

Total non-oil export earnings by Nigerian exporters rose by 4.7 per cent over the level in the preceding month to US\$142.42 million. A sectoral breakdown of the proceeds in the review month showed that the industrial sector accounted for US\$71.02 million of the total, manufacturing sub-sector US\$45.16 million, while minerals and agricultural sub-sectors stood at US\$15.30 million and US\$10.30 million, respectively. Proceeds in respect of “others” amounted to US\$0.63 million.

The shares of industrial, manufacturing, minerals, agricultural and “others” sub-sectors in total non-oil export proceeds were 49.4, 31.4, 10.6, 7.2, and 0.4 per cent, respectively.

#### 4.3 Sectoral Utilisation of Foreign Exchange

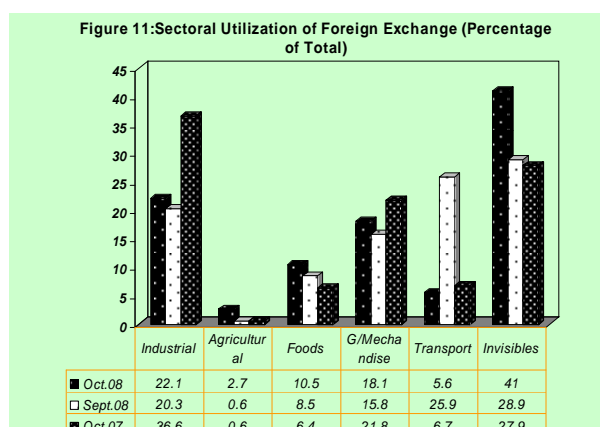
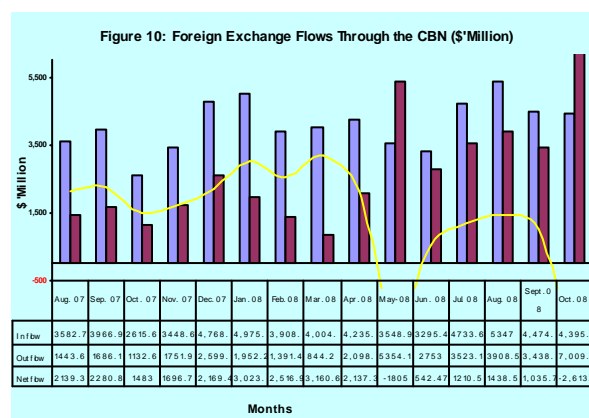
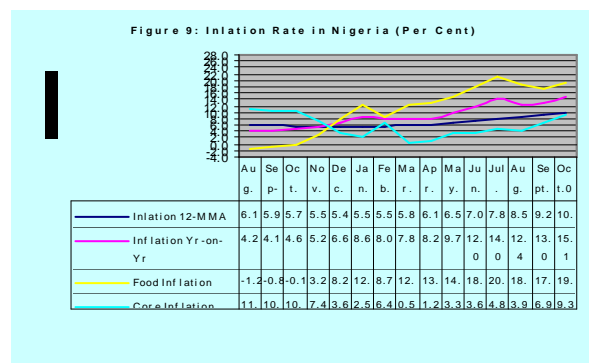
The invisibles sub-sector accounted for 41.0 per cent of total foreign exchange disbursed in October 2008, followed by the industrial sector (22.1 per cent). Other beneficiary sectors, in a descending order included: general merchandise (18.1 per cent), food (10.5 per cent), transportation (5.6 per cent), and agricultural products (2.7 per cent) (Fig.11).

#### 4.4 Foreign Exchange Market Developments

Aggregate demand for foreign exchange by authorized dealers under the WDAS was US\$5.5 billion in October 2008, indicating a respective increase of 228.8 and 501.3 per cent over the levels in the preceding month and the corresponding period of 2007. A total of US\$4.4 billion foreign exchange was sold by the CBN

to authorized dealers in the review month, compared with US\$1.3 billion and US\$0.8 billion in the preceding month and corresponding period of 2007. The increase in demand was attributed largely to the significant divestment from portfolio assets and dividends repatriations by foreign investors during the period.

Under the WDAS, the weighted average exchange rate of the Naira vis-à-vis the US dollar appreciated marginally by 0.01 per cent to =N=117.72 per dollar.



In the bureau de change segment of the market, the average exchange rate remained unchanged at the September level of ₦119.00 per dollar. Consequently, the premium between the official and bureau de change rates remained at 1.1 per cent as in the preceding month (Fig. 12).

#### 4.5 External Reserves

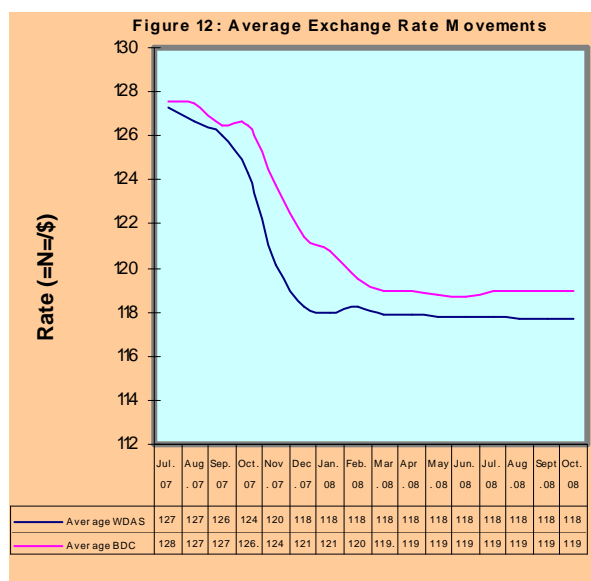
Available data showed that Nigeria's external reserves at end-October 2008 stood at US\$58.53 billion, representing a decline of 5.7 per cent from the level in the preceding month. It, however, indicated an increase of 18.9 per cent over the level in the corresponding period of 2007. The decline in reserves was attributed to the increased demand for foreign exchange due to the significant divestment from portfolio assets and higher dividends repatriations by foreign investors.

### 5.0 OTHER INTERNATIONAL ECONOMIC DEVELOPMENTS

World crude oil output in October 2008 was estimated at 87.20 million barrels per day (mbd), while demand was estimated at 86.60 mbd, representing an excess supply of 0.6 mbd, compared with 87.13 and 86.33 mbd supplied and demanded, respectively, in the preceding month.

Other major international economic developments of relevance to the Nigerian economy during the month included: the 4<sup>th</sup> Session of the Joint Commission between the Republic of Cameroun and the Federal Republic of Nigeria held in Yaounde, Cameroun from October 9 – 11, 2008. The following were the major highlights of the Session:

- \* The session underscored the need for Nigeria and Cameroun to boost trade through regular exchange of trade information and economic and trade unions; establishment of a bilateral technical committee to reflect on how to raise the level of trade; and negotiation and signing of a bilateral trade agreement aimed at avoiding double taxation, among others.
- \* Both Ministers applauded the wisdom of the leaders of the two countries, the United Nations and all friendly countries in the peaceful resolution of the boundary dispute, leading to the handover of the Bakassi Peninsula to Cameroun.
- \* The Session agreed to intensify co-operation in keeping secured all risk-prone geological zones; production of bio-fuels; and agricultural research.



- \* The Session also agreed to intensify co-operation in education through study missions, exchange programmes for lecturers and harmonization of registration formalities, tuition fees, certificates and other university qualifications.

In another development, the Annual Meetings of the Inter-Governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments, the International Monetary Fund (IMF) and the World Bank (WB) Group took place in Washington D.C., USA from October 7<sup>th</sup> – 13<sup>th</sup>, 2008.

#### G-24 Meeting

The Ministers of the Inter-governmental Group of Twenty-Four (G-24) on International Monetary Affairs and Developments held their eightieth meeting in Washington D.C., on October 10, 2008 to harmonize their position on issues of concern and interest. The following were the major highlights of the meeting:

- The Ministers noted that the world economy was facing its most difficult situation in years, against the backdrop of a deepening financial crisis that originated in matured markets. They observed that advanced economies were slowing markedly and some were already in recession. They therefore called for a comprehensive response to address the strains in financial markets and restore market confidence. They also underscored the need for fundamental reform of the regulatory and supervisory framework, clearer accounting rules, as well as transparency.

The Ministers also noted that, the doubling of basic votes will to some extent, help to increase the voting power of the smallest members, and took note of the proposal to mitigate the dilution in voting power of larger developing and transition countries (DTCs) through the use of unallocated shares. They asked that these unallocated shares be provided in a sufficient magnitude and on a fully callable basis to prevent a dilution in the voting shares of individual DTCs as a result of the increase in basic votes.

- The Ministers further recognized that climate change is a global challenge that requires the widest possible co-operation among all countries to reach an effective and appropriate international response, based on common but differentiated responsibilities and respective capabilities. They emphasized that, while the World Bank Group (WBG) can play an important role without diverting from its development mandate, the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto protocol should remain the central multilateral framework for co-operative action to address climate change. They noted that while developing countries, especially the poorest countries and communities, have contributed little to global warming, they will disproportionately bear the negative effects of climate change and therefore urged the WBG to give special attention to adaptation to climate variability, mobilizing incremental resources and financing stand-alone adaptation projects.
- They observed that the environment for financing development had improved over the past six years primarily due to the significant improvement in domestic savings of developing countries, as well as sustained expansion in world trade; increased private capital flows; higher remittances; reduction in debt burdens, especially for the heavily-indebted poor countries; and increase in official development assistance. However, they expressed concern that financing conditions were likely to be much more difficult on account of the financial crisis and the associated economic downturn. The Ministers therefore stressed that the delivery of timely and truly additional aid is critical to enable the poorest countries meet the Millennium Development Goals, revitalize agriculture and redress large infrastructure deficits.

### **The International Monetary and Financial Committee (IMFC Meeting)**

The International Monetary and Financial Committee (IMFC) held its eighteenth meeting in Washington D.C., USA on October 11, 2008. The following were the major highlights of the meeting:

- The Committee welcomed the recent coordinated monetary policy actions undertaken by several central banks and called on the IMF to stand ready to assist members to prepare timely, effective, and appropriate policy responses to alleviate the impact of negative spillovers from the financial crisis. It also called on low-income countries to pursue strengthened adjustment efforts with increased donor assistance, in particular grants, to limit the effects on real income and poverty. The Committee called on members to resist protectionist pressures, and reiterated its strong support for a prompt and ambitious conclusion of the Doha Development Round of trade negotiations.
- Furthermore, the Fund was asked by the Committee to press ahead with the enhanced early warning of risks and vulnerabilities, including enhanced financial sector liaison, analysis of macro-financial linkages, and scenario analysis, as well as completing the extension of its vulnerability exercise to advanced economies. The communication of these risks and vulnerabilities should be concise, authoritative, and timely, including enhanced World Economic Outlook and Global Financial Stability Report.

### **Development Committee**

The joint ministerial committee of the boards of governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee) met on October 12, 2008. It acknowledged the ongoing unprecedented financial turmoil. It stressed the risk of Developing and Transition Countries (DTCs) - many of them already hard hit by the current high prices for energy and essential foodstuffs - to improve the lives of their populace from any prolonged tightening of credit or sustained global slowdown.

The Committee endorsed the commitments by the IMFC and stressed that aid volumes need to be consistent with existing commitments. In support of these concerted actions, it called on the World Bank to collaborate with the IMF in drawing on the full range of its resources - finance, analysis and advice - to help DTCs strengthen their economies, maintain growth, and protect the most vulnerable groups against the impact of the current global crisis.

It also urged countries to consider making contributions to the World Bank Group's recently announced \$1.2 billion rapid financing facility, which is providing immediate help for countries to cope with the impact of high food prices. The Committee also encouraged the Bank and its partners to move forward with the planned new programme – Energy for the Poor – that would provide rapid support for countries' efforts to strengthen social safety nets and protect the poor against the impact of high fuel bills. It urged the International Finance Corporation (IFC) to explore options for helping to recapitalize banks in the developing countries that were adversely affected by the global liquidity crisis, including the possibility of a fund.

Lastly, the 5<sup>th</sup> Session of the Nigeria/Cuba Joint Session was held in Abuja from October 16 – 17, 2008. The following were the major highlights of the decisions reached at the Session:

- \* Both sides expressed the desire to implement the joint agricultural venture in Nasarawa State and the establishment of a sugar industry in Jigawa State.
- \* The Session also expressed satisfaction with the level of cooperation in the field of education and agreed to take steps for prompt utilization of scholarships offered by Nigeria and Cuba to each other.
- \* Both sides examined the draft agreement on the reciprocal waiver of visa requirements of holders of diplomatic and official/service passports and agreed that the document would be signed during the visit of the Cuban Vice President to Nigeria.



TABLE 1

(=N=Million)

		OCTOBER	SEPTEMBER	AUGUST	DECEMBER	CHANGE BETWEEN		CHANGE BETWEEN		CHANGE BETWEEN	
		(1)	(2)	(3)	2007	(1&2)	PER CENT	(2&3)	PER CENT	(1&4)	PER CENT
					(4)	ABSOLUTE		ABSOLUTE		ABSOLUTE	
1	Domestic Credit	4,254,703.80	4,244,627.20	4,435,433.70	2,688,236.60	10,076.60	0.24	(190,806.50)	(4.30)	1,566,467.20	58.27
(a)	Claims on Federal Government (Net)	(3,439,071.70)	(3,230,039.20)	(2,986,658.70)	(2,368,484.30)	(209,032.50)	(6.47)	(243,380.50)	(8.15)	(1,070,587.40)	(45.20)
	By Central Bank (Net)	(5,193,020.40)	(5,107,624.40)	(4,974,053.20)	(4,074,422.80)	(85,396.00)	(1.67)	(133,571.20)	(2.69)	(1,118,597.60)	(27.45)
	By Banks (Net)	1,753,948.70	1,877,585.20	1,987,394.50	1,705,938.50	(123,636.50)	(6.58)	(109,809.30)	(5.53)	48,010.20	2.81
(b)	Claims on Private Sector	7,693,775.50	7,474,666.40	7,422,092.40	5,056,720.90	219,109.10	2.93	52,574.00	0.71	2,637,054.60	52.15
	By Central Bank	228,463.40	171,846.40	236,880.90	236,025.20	56,617.00	32.95	(65,034.50)	(27.45)	(7,561.80)	(3.20)
	By Banks	7,465,312.10	7,302,820.00	7,185,211.50	4,820,695.70	162,492.10	2.23	117,608.50	1.64	2,644,616.40	54.86
(i)	Claims on State and Local Governments	115,024.80	96,140.30	99,602.50	87,753.60	18,884.50	19.64	(3,462.20)	(3.48)	27,271.20	31.08
	By Central Bank	0.0	0.0	0.0	0.0						
	By Banks	115,024.8	96,140.3	99,602.5	87,753.60	18,884.50	19.64	(3,462.20)	(3.48)	27,271.20	31.08
(ii)	Claims on Non-Financial Public Enterprises	-	-	-	-						
	By Central Bank										
	By Banks										
(iii)	Claims on Other Private Sector	7,578,750.70	7,378,526.10	7,322,489.90	4,968,967.30	200,224.60	2.71	56,036.20	0.77	2,609,783.40	52.52
	By Central Bank	228,463.40	171,846.40	236,880.90	236,025.20	56,617.00	32.95	(65,034.50)	(27.45)	(7,561.80)	(3.20)
	By Banks	7,350,287.30	7,206,679.70	7,085,609.00	4,732,942.10	143,607.60	1.99	121,070.70	1.71	2,617,345.20	55.30
2	Foreign Assets (Net)	7,975,734.90	8,523,481.00	8,461,171.70	7,266,512.10	(547,746.10)	(6.43)	62,309.30	0.74	709,222.80	9.76
	By Central Bank	7,059,654.40	7,589,846.60	7,642,479.40	6,570,263.70	(530,192.20)	(6.99)	(52,632.80)	(0.69)	489,390.70	7.45
	By Banks	916,080.50	933,634.40	818,692.30	696,248.40	(17,553.90)	(1.88)	114,942.10	14.04	219,832.10	31.57
3	Other Assets (Net)	(3,891,323.20)	(3,807,820.30)	(4,564,314.90)	(4,144,922.10)	(83,502.90)	(2.19)	756,494.60	16.57	253,598.90	6.12
	Total Monetary Assets (M <sub>2</sub> )	8,339,115.60	8,960,287.70	8,332,290.50	5,809,826.50	(621,172.10)	(6.93)	627,997.20	7.54	2,529,289.10	43.53
	Quasi - Money 1/	4,103,304.50	4,438,497.40	4,070,429.90	2,693,554.30	(335,192.90)	(7.55)	368,067.50	9.04	1,409,750.20	52.34
	Money Supply (M <sub>1</sub> )	4,235,810.90	4,521,790.30	4,264,860.60	3,116,272.10	(285,979.40)	(6.32)	256,929.70	6.02	1,119,538.80	35.93
	Currency Outside Banks	743,153.10	756,786.00	727,003.60	737,867.20	(13,632.90)	(1.80)	29,782.40	4.10	5,285.90	0.72
	Demand Deposits 2/	3,492,657.80	3,765,004.30	3,537,857.00	2,378,404.90	(272,346.50)	(7.23)	227,147.30	6.42	1,114,252.90	46.85
	Total Monetary Liabilities	8,339,115.50	8,960,287.70	8,335,290.50	5,809,826.50	(621,172.20)	(6.93)	624,997.20	7.50	2,529,289.00	43.53

Notes:

1/ Quasi-Money consists of Time,Savings and Foreign Currency Deposits at Deposit Money Banks, excluding Takings from Discount Houses.

2/ Demand Deposits consists of State, Local Government and Parastatals Deposits at the CBN; State, Local Government and Private Sector Deposits as well as Demand Deposits of Non-Financial Public Enterprises at Deposit Money Banks.

3/ Provisional.